

2024 BCSECCOM 102

Exemption Order

Refinitiv Transaction Services Limited

Section 33(1) of the *Securities Act*, R.S.B.C. 1996

Background

¶ 1 Refinitiv Transaction Services Limited (the Filer) has filed an application (the Application) with the British Columbia Securities Commission (the Commission) under section 33(1) of the *Securities Act* (British Columbia) for an exemption from the requirements of:

(a) section 25 of the Act;

(b) National Instrument 21-101 *Marketplace Operation* (NI 21-101);

(c) National Instrument 23-101 *Trading Rules* (NI 23-101); and

(d) National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (NI 23-103).

(collectively, the Requested Relief)

Interpretation

¶ 2 Terms defined in the Act, National Instrument 14-101 *Definitions*, NI 21-101, NI 23-101, NI 23-103 and Multilateral Instrument 91-101 *Derivatives: Product Determination* have the same meaning if used in this decision, unless otherwise defined.

In this decision,

“BC Member” means a Member that has its headquarters or legal address (e.g., as indicated by a participant’s Legal Entity Identifier (LEI)) located in British Columbia;

“Member” means a participant approved by the Filer that has access to the Organized Market in accordance with the rules of the Organized Market, provided that such access has not been terminated;

Representations

¶ 3 This decision is based on the following representations of the Filer:

1. The Filer is a private limited company under the laws of the United Kingdom.
2. The Filer is an indirect subsidiary of the London Stock Exchange Group (LSEG).

3. The Filer is not, and has no current intention of becoming, a registrant under the securities laws of the Province of British Columbia (the Legislation).
4. The Filer is not in default under the Legislation or under any other securities legislation in Canada.
5. The Filer operates a request for quote platform (Organized Market) for the trading of FX forwards (swaps), FX forwards (outright), FX swaps, FX non-deliverable forwards (NDFs) and FX options (collectively, the Instruments).
6. The Filer only offers trade and execution functions permitted in the rules of the Organized Market (Organized Market Rules) and does not offer any other trading services. The Filer does not offer any other services, including services relating to
 - (a) the provision of access to third party trading venues,
 - (b) clearing, settlement or payment systems,
 - (c) asset management services or portfolio management services.
7. The Filer received its current approval as a Multilateral Trading Facility from the Financial Conduct Authority (FCA) on November 1, 2007 to operate the Organized Market under the UK Financial Services and Markets Act 2000 (FSMA). The Filer is regulated and supervised by the FCA and is required to comply with the FSMA and any other applicable UK laws and, notices issued by FCA.
8. The Filer wishes to make the Instruments on the Organized Market available in British Columbia to BC Members and is therefore considered to be carrying on business as an exchange in British Columbia.
9. The Filer will provide BC Members with a secured direct access to the Organized Market.
10. To become a BC Member, a participant must meet the Eligible and Operational Criteria set out in the Organized Market Rules and execute the Participant Agreement (collectively, the Membership Criteria). A Member must also inform the Filer if any of these criterion are no longer met. The Organized Market Rules include requirements that the BC Member:
 - (a) be a person, other than an individual, that meets criteria to be an “eligible counterparty” as defined in Article 30(2) of the European Union Directive 2014/65 and as incorporated into UK regulations;
 - (b) complies and will continue to comply with the Organized Market Rules and any applicable regulations;
 - (c) ensures its authorized traders have adequate experience, knowledge and competency to trade in the instruments offered by the Organized Market;

- (d) have legal and financial capacity to trade in the instruments offered by the Organized Market;
 - (e) have adequate resources and pre-established arrangements to clear or settle the trades.
- 11. When accessing the Organized Market, BC Members will be subject to the same requirements and will have access to the same services, on equivalent terms, as Members resident in other jurisdictions.
- 12. The Filer does not and will not have physical operations in the Province of British Columbia.
- 13. The Filer's physical office is located in the United Kingdom (the UK).
- 14. The Filer has established a framework to evaluate the risks and materiality of outsourcing arrangements, this includes notifying the FCA of its intention to enter into a new or change a critical or important outsourcing arrangement.
- 15. The Filer and the Organized Market will be regulated by the FCA under the FSMA, as amended from time to time. The FCA will also regulate the Filer's Members as applicable.
- 16. The FCA has the authority and procedures for oversight of the Filer and the Organized Market. This will include periodic oversight reviews of the Filer and the Organized Market by the FCA.
- 17. The Filer maintains a compliance program to ensure compliance with the FCA's rules and requirements pertaining to:
 - (a) business conduct, including members categorization, communication with members and other investors protection arrangements;
 - (b) market conduct, including business practices and operations of the Organized Market;
 - (c) systems and controls including, governance, conflict of interest, outsourcing and record-keeping.
- 18. The Filer applies an appropriate market surveillance and monitoring program to ensure effective oversight of trading activities and to prevent market manipulation, price distortion, disorderly market activity, abusive conduct and breaches of the Organized Market Rules.
- 19. If the Filer identifies breaches of the Organized Market Rules it will impose appropriate sanctions in accordance with the procedures described in the Organized Market Rules.

20. If the Filer identifies material suspicious activities or incidents of fraud, it will, in accordance with applicable legislation, regulations or rules refer the matter to the FCA.
21. All members of the Board of Directors of the Filer (the Board) have the necessary skills and experience to effectively manage the operational and strategic vision of the Filer.
22. All Board members appointed by the Filer are approved by the FCA under the UK Senior Managers and Certification Regime.
23. The Board has the ultimate responsibility for the management of the Filer, including the management of the operation of the Organized Market. This includes a responsibility to ensure that the Filer and the operation of the Organized Market comply with all applicable rules, policies and procedures, including securities legislation, and that the Filer meets its public interest mandate.
24. The Board is responsible for ensuring that the Filer has an effective framework in place to respond to business, financial, compliance and other risks.
25. The Board will be responsible for the oversight of the internal audit process that is outsourced to LSEG.
26. The Board is accountable for putting in place a management framework and implementing systems, controls and procedures to identify, escalate and manage conflicts of interest. This framework and systems are designed to comply with LSEG Conflict of Interest Framework and FCA's requirements.
27. The Filer maintains sufficient financial resources to meet its obligations under FCA's Overall Financial Adequacy Rule.
28. Instruments offered on the Organized Market are approved by FCA or subject to requirements imposed by FCA.
29. The Access Standards and the process for obtaining, limiting and denying access to the Organized Market are fair, transparent and applied reasonably. In applying these access standards, the Filer, in operating the Organized Market, will not
 - (a) unreasonably prohibit, condition or limit access by a person to services offered by it,
 - (b) permit unreasonable discrimination among Members, or
 - (c) impose any burden on competition that is not reasonably necessary and appropriate.

30. The Filer will have the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions associated with the operation of the Organized Market, including setting requirements governing the conduct of its Members, monitoring their conduct, and appropriately disciplining them for violations of Organized Market Rules.
31. The Organized Market Rules:
 - (a) are designed to appropriately govern the operations and activities of Members;
 - (b) will permit the denial or limitation of a Member's access to the Organized Market or products, and require the reporting of the Member to the FCA if appropriate;
 - (c) will be supervised by the Filer's Compliance Department;
 - (d) are not contrary to the public interest and are designed to:
 - (i) ensure compliance with applicable legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) ensure that a Member's order or trade information are only disclosed in accordance with the terms of the participant agreement and the Organized Market Rules;
 - (v) provide a framework for disciplinary and enforcement actions;
 - (vi) ensure a fair and orderly market.
32. For any decision made by the Filer in connection with the operation of the Organized Market that affects a Member, or an applicant to be a Member, including a decision in relation to access, exemptions, or discipline, the Filer will ensure that
 - (a) parties are given an opportunity to be heard or make representations, and
 - (b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.
33. To the extent it is not inconsistent with the laws of the UK, the operation of the Organized Market will adhere to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).
34. The Filer has appropriate internal controls to ensure completeness, accuracy, integrity and security of information within the Organized Market's critical systems

that are applicable to the Organized Market, and these critical systems have sufficient capacity and are subject to business continuity plans that are reasonably designed to enable the Filer to properly operate the Organized Market. Critical systems are those that support the following functions (as applicable for the Organized Market):

- (a) order entry;
 - (b) order routing;
 - (c) execution;
 - (d) trade reporting;
 - (e) trade comparison;
 - (f) data feeds;
 - (g) market surveillance;
 - (h) trade clearing;
 - (i) financial reporting.
35. The Filer has implemented procedures to reasonably ensure that the Organized Market's critical systems have sufficient capacity and are designed to ensure completeness, accuracy, integrity and security of the information.
36. The Filer has implemented a business continuity plan in relation to the Organized Market.
37. The Filer periodically tests components of its critical system, including but not limited to, security intrusion tests, capacity tests, regression tests, stress tests and redundancy tests.
38. The Filer will have and maintain adequate systems in place for the keeping of books and records with respect to the Organized Market, including, but not limited to, those concerning the operations of the Organized Market, audit trail information on all request messages and quotes, to ensure compliance and report violations of the Organized Market Rules and requirements implemented by the Filer to access the, Organized Market.
39. The Filer has adopted the LSEG Group Third Party Risk Management Policy and Framework in relation to the outsourcing of any key services or systems of the Organized Market to a service provider. This policy requires the Filer's Board to remain fully responsible and accountable for ensuring the Filer and the Organized Market meet their obligations with respect to the operation of the Organized Market, including applicable regulatory requirements.

40. With respect to fees applicable on the Organized Market:
- (a) the fee structure imposed by the Filer is sufficiently granular to allow Members to predict the fees payable based on the following elements
 - (i) chargeable services,
 - (ii) fee for each service, and
 - (iii) rebates, incentives or disincentives;
 - (b) the fees are reasonable and equitable for all Members, and will not have the effect of creating unreasonable conditions or limits on access by Members to the services offered by the Organized Market;
 - (c) the process for setting fees will be fair and appropriate, and the fee model will be transparent to all Members;

Order

¶ 4 Based on the representations that the Filer provided and considering that to do so would not be prejudicial to the public interest, the Commission grants the Requested Relief, on the following terms and conditions:

1. The Filer will promptly provide the Commission when requested either directly or through the FCA, as the case may be, any information in the custody or control of the Filer, relating to BC Members, the operations of the Organized Market and compliance with this decision.
2. The Filer will promptly notify the Commission of any of the following:
 - (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:
 - (i) changes to the regulatory oversight of the Filer or the Organized Market by the FCA;
 - (ii) the corporate governance structure of the Filer;
 - (iii) the access model, including eligibility criteria, for BC Members;
 - (iv) critical systems and technology;
 - (b) any change that may materially affect the accuracy of the representations;
 - (c) any condition or change in circumstances that make the Filer unable to meet the regulatory requirements of FCA;

- (d) any revocation or suspension of the Filer's ability to operate the Organized Market in the United Kingdom or in any other jurisdiction;
 - (e) any known investigations of, or disciplinary action against, the Filer by FCA or any other securities regulatory authority;
 - (f) any matter known to the Filer that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption.
3. The Filer will provide, in a manner and form acceptable to the Commission, on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:
- (a) a current list of BC Members, including the LEI;
 - (b) a list of all BC Members against whom disciplinary action has been taken in the last semi-annual period by the Filer;
 - (c) a list of all British Columbia persons who applied for status as a Member that were denied such status during the semi-annual period;
 - (d) a classification of all instruments available on the Organized Market during the semi-annual period, identifying any additions, deletions or changes since the prior semi-annual period;
 - (e) for each class of instrument available to BC Members on the Organized Market
 - (i) the total volume and value originating from each BC Member, and
 - (ii) the proportion of worldwide volume and value on the Organized Market conducted by BC Members;
 - (f) a list outlining each incident of a significant system outage, that occurred at any time during the quarter, for any system impacting BC Members, including order entry and trade execution systems, specifically identifying the date, duration and reason for the outage, and noting any corrective action taken.
4. The Filer will promptly provide staff of the Commission copies of all rules of the Organized Market, and material amendments to those rules or by-laws, that it files with FCA.
5. The Filer will provide to its BC Members, prior to the first use of the facilities of the Organized Market by that BC Member, disclosure that states that:

- (a) rights and remedies against the Filer may only be governed by the laws of the UK and may be required to be pursued in such jurisdiction;
 - (b) the rules applicable to using the facilities on the Organized Market will be governed by the laws of the UK;
 - (c) the Organized Market is regulated by FCA, rather than the Commission.
6. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Filer or the operation of the Organized Market, the Filer will submit to the non-exclusive jurisdiction of the courts of British Columbia and the Commission.
7. The Filer will file with the Commission an appointment of an agent for service in British Columbia upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or proceeding relating to the Commission's regulation and oversight of the Filer's activities and the Organized Market's operations in British Columbia.

March 13, 2024

"Brenda Leong"

Brenda M. Leong
Chair